

**ALL DEPOSITORIES, NOMINEES, BROKERS AND OTHERS:  
PLEASE FACILITATE THE TRANSMISSION OF THIS NOTICE  
TO ALL BENEFICIAL OWNERS. ADDITIONAL COPIES OF  
THIS NOTICE ARE AVAILABLE FOR THIS PURPOSE UPON  
REQUEST AT THE ADDRESS SET FORTH BELOW.**

**NOTICE OF  
(I) SOLICITATION OF VOTES TO APPROVE QUALIFYING  
MODIFICATION PURSUANT TO TITLE VI OF PROMESA AND  
(II) COMMENCEMENT OF TITLE VI PROCEEDING BY  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO**

**TO THE HOLDERS (THE "HOLDERS") OF  
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO  
SENIOR NOTES  
(THE "NOTES")**

**Affected CUSIP Nos.: See Appendix A\***

Ladies and Gentlemen:

Wilmington Trust, N.A., is the successor trustee (the "Trustee") under that certain indenture dated as of February 17, 2006 (the "Base Indenture") by and among the Trustee and the Government Development Bank for Puerto Rico ("GDB" or the "Bank"), a public corporation and government instrumentality for the Commonwealth of Puerto Rico (the "Commonwealth"). The Notes were issued pursuant to the Base Indenture, as supplemented by those certain supplemental indentures relating to each series of Notes (the Base Indenture, as so supplemented, the "Indenture"). Capitalized terms used but not defined herein have the respective meanings given to them in the Indenture (defined herein).

**Events of Default**

As set forth in the Trustee's prior notices, various Events of Default have occurred and are continuing with respect to the Notes. Payment on the Notes remains subject to a moratorium imposed by certain Executive Orders issued by the Governor of Puerto Rico beginning in April 2016.

## **PROMESA Oversight Board**

As you were previously notified, on June 30, 2016, former President Obama signed the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”) into law. Among other measures, PROMESA mandates the creation of a seven-member Finance Oversight and Management Board (the “Oversight Board”), tasked with managing Puerto Rico’s debt restructuring. On August 31, 2016, former President Obama announced appointment of the seven (7) members of the Oversight Board.

## **GDB Restructuring Support Agreement, Prior Amendments Thereto and Implementing Legislation**

As you were previously notified, on May 15, 2017, GDB, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”)<sup>1</sup> and certain holders of the Notes entered into a Restructuring Support Agreement (the “RSA”) pursuant to which the parties have agreed to undertake a financial restructuring of GDB (the “Proposed Restructuring”) on the terms and conditions set forth in a Restructuring Term Sheet attached to the RSA (the “Term Sheet”). The parties to the RSA intend for the Proposed Restructuring to be effected through a Qualifying Modification (the “Qualifying Modification”) pursuant to Title VI of PROMESA, which provides a mechanism for a territorial issuer and its creditors to effect a voluntary restructuring of the issuer’s bond debt.

As you were also previously notified, on June 19, 2017, GDB and AAFAF announced that parties representing over 50% of GDB’s Participating Bond Claims (as defined in the Term Sheet) had signed the RSA and that the RSA had become effective pursuant to its terms on May 17, 2017.

In August 2017, the Puerto Rico Legislative Assembly passed and Governor Rossello signed legislation to implement the Proposed Restructuring (the “GDB Restructuring Act”). The GDB Restructuring Act was subsequently amended to make certain technical amendments on July 18, 2018. Among other things, the GDB Restructuring Act provides for the creation of the GDB Debt Recovery Authority (the “Issuer”), a newly formed statutory public trust and governmental instrumentality, to issue new bonds in connection with the Qualifying Modification.

To date, the RSA has been amended six (6) times, to, among other things, extend the milestones for completing solicitation of the Qualifying Modification and for entry of an order approving the Qualifying Modification by the U.S. District Court for the District of Puerto Rico (the “U.S. District Court”). The current deadline to complete solicitation of the Qualifying Modification is September 14, 2018 and the current deadline for entry of an approval order by the U.S. District Court is November 21, 2018. The Fourth Amendment to the RSA attached a revised Restructuring Term Sheet to the RSA. Copies of the First, Second, Fourth, Fifth and

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<sup>1</sup> Pursuant to Act 2-2017, AAFAF has been given the sole responsibility to renegotiate, restructure and/or reach an agreement with creditors on all or part of the debt issued by any government instrumentality of the Commonwealth.

Sixth Amendments to the RSA are available on the special website established by the Trustee's counsel described below. The RSA as amended by the First, Second, Third,<sup>2</sup> Fourth, Fifth and Sixth Amendments thereto is referred to herein as the "Amended RSA."

As you were also previously notified, on May 8, 2018, the Oversight Board certified the Amended RSA as a Voluntary Agreement pursuant to Section 104(i) of PROMESA and a Qualifying Modification pursuant to Section 602(g) of PROMESA, consented to the designation of Epiq Bankruptcy Solutions, LLC as Information Agent and Calculation Agent with respect to the solicitation of consents to the Qualifying Modification, and established two pools of bond claims (collectively, the "Pools" and each a "Pool") for purposes of voting on the Qualifying Modification: one for claims guaranteed by the Commonwealth (the "Guaranteed Bond Claims Pool")<sup>3</sup> and one for non-guaranteed claims (the "GDB Bond Claims Pool").

### **Solicitation of Votes on the Qualifying Modification**

On August 9, 2018, AAFAF and GDB announced the commencement of the solicitation (the "Solicitation") of votes from GDB's creditors who are Eligible Voters to approve the Qualifying Modification. Eligible Voters are all beneficial owners of Participating Bond Claims (defined herein) in each of the two Pools as of the Voting Record Date (as defined herein). In connection with the Solicitation, AAFAF and GDB have prepared a Solicitation Statement, which contains, among other things, descriptions and summaries of the Qualifying Modification, the terms and conditions of the Solicitation, and requirements and procedures for voting and delivering ballots on the Qualifying Modification. A copy of the Solicitation Statement is available at <http://dm.epiq11.com/#!/case/GDB/documents> and on the special website established by the Trustee's counsel described below. A copy of the press release issued by Governor Rossello's office announcing the commencement of the Solicitation is appended to this notice.

### **Description of the Qualifying Modification**

**The following summary of the Qualifying Modification as described in the Solicitation Statement and the treatment of Holders are provided as a convenience by the Trustee. Each Holder should carefully review the Solicitation Statement and all exhibits, appendices and attachments thereto. Terms not otherwise defined in this section shall have the meaning ascribed to them in the Solicitation Statement.**

If the Qualifying Modification is approved pursuant to the Solicitation, and the other conditions to the consummation of the Qualifying Modification are satisfied, all Participating Bond Claims will be mandatorily exchanged for new 7.500% GDB Debt Recovery Authority Bonds (Taxable) due 2040 (the "New Bonds"). Participating Bond Claims are defined to include the GDB Bond Claims and the Guaranteed Bond Claims. The GDB Bond Claims consist of (i) the Notes (other than the Series 2013 B-1 Notes guaranteed by the Commonwealth), (ii) the public bonds, issued and outstanding pursuant to that certain trust indenture, dated as of April 29,

<sup>2</sup> A Third Amendment to the RSA, dated March 20, 2018, has yet to be made publicly available.

<sup>3</sup> Notes having CUSIP Nos. 745177FQ3, 745177FR1, and 745177FS9 are subject to a guarantee given by the Commonwealth.

2016, as amended or supplemented, between GDB and UMB Bank, National Association, as trustee, (iii) certain deposits at GDB after giving effect to the adjustments pursuant to the GDB Restructuring Act on the Closing Date and (iv) certain contingent and unliquidated claims against, and other outstanding obligations of, GDB. The Guaranteed Bond Claims consist of the Series 2013 B-1 Notes (CUSIP Nos. 745177FQ3, 745177FR1 and 745177FS9) guaranteed by the Commonwealth.

### The Exchange and the New Bonds

For each \$1,000 of Participating Bond Claims (calculated, for each GDB Bond and Guaranteed Bond, as principal plus unpaid interest accrued up to, but not including, the Closing Date) exchanged, holders of Participating Bond Claims will receive New Bonds having a face amount equal to \$550. The New Bonds will be secured by a first priority statutory lien on the Restructuring Property. The Restructuring Property will include all of GDB's assets as of July 1, 2018 other than certain excluded assets (as described more fully in the Preliminary Offering Memorandum for the New Bonds, attached as an exhibit to the Solicitation Statement), which will be transferred to the Issuer on the Closing Date and from time to time thereafter in accordance with definitive documents, and all proceeds and other amounts generated in respect of such assets. The Restructuring Property will primarily consist of GDB's municipal loan portfolio in addition to certain other loans, cash, real estate and other assets of GDB, and will be managed by a third-party asset manager on behalf of the Issuer. The New Bonds are special limited obligations of the Issuer payable solely from, secured solely by, and having recourse solely to, the Restructuring Property. The final scheduled payment date on the New Bonds is August 20, 2040.

### Voting Thresholds

Pursuant to PROMESA, for the Solicitation to approve the Qualifying Modification, Eligible Voters holding as of the Voting Record Date both (a) a majority of the aggregate amount of Participating Bond Claims in each Pool as of the Voting Record Date (the "Majority Vote Requirement") and (b) 66  $\frac{2}{3}$ % of the aggregate amount of Participating Bond Claims in each Pool as of the Voting Record Date for which Ballots are validly delivered and not validly revoked in the Solicitation (the "Supermajority Vote Requirement," and together with the Majority Vote Requirement, the "Requisite Approvals") must vote to approve the Qualifying Modification.

### Municipal Setoff

The GDB Restructuring Act provides that, upon the closing of the Qualifying Modification, the full amount of any municipality's deposits held at GDB will be automatically applied to the outstanding balance of any loan owed to GDB by that municipality. Any remaining municipal deposit claim will constitute a Participating Bond Claim that will be restructured pursuant to the Qualifying Modification.

Other Conditions to Consummation of the Qualifying Modification

Other conditions to consummation of the Qualifying Modification include the Oversight Board certifying that GDB has received the Requisite Approvals, the U.S. District Court entering an order approving the Qualifying Modification as satisfying the requirements of Section 601 of PROMESA, and GDB transferring the Public Entity Trust Assets to the trustee of the PET (defined below), and upon such transfer, the Non-Municipal Government Entities that have claims in respect of funds on deposit at GDB as of the Closing Date ceasing to have any right, interest or claim against GDB or any of its assets.

**Concurrent Transactions**

The GDB Restructuring Act provides for two additional transactions to facilitate the wind-down of GDB. These concurrent transactions are not components of the Qualifying Modification, but their effectuation are, pursuant to the RSA, conditions precedent to the Qualifying Modification:

- (i) the Public Entity Trust (“PET”) transaction, the primary purpose of which is to provide distributions to certain public corporation depositors, as well as to administer the restoration of federal funds held on deposit at GDB for the benefit of certain municipalities and public corporations having claims in respect of federal funds. As a result of the PET transaction, the Commonwealth’s deposit claims against GDB will be offset against the Commonwealth’s unsecured debts at GDB, resulting in GDB holding a net claim against the Commonwealth in the amount of approximately \$890 million. The assets of the PET will consist of this \$890 million claim against the Commonwealth. A portion of the PET assets will be transferred to the PET on the Closing Date and the remainder of the PET assets, or any portion thereof, will be transferred to the PET in one or more transactions as set forth in the Public Entity Deed of Trust. Holder of Participating Bond Claims will not have any interest in, or claim against, the PET or its assets on account of their Participating Bond Claims; and
- (ii) the Excess CAE Settlement, which provides a mechanism for resolving undisbursed Excess CAE. Excess CAE refers to proceeds of the special additional tax held at GDB that, prior to January 1, 2017, was certified by GDB as amounts above those required to be held by each municipality in the Municipal Public Debt Redemption Fund. Pursuant to the GDB Restructuring Act, GDB will pay such municipalities, in cash, an amount equal to 55% of the municipality’s Excess CAE claim. The remaining portion of such municipality’s Excess CAE claim will be discharged, and the municipality will have no further rights or claims thereto and GDB will have no further liability or obligation to the municipality in respect of the Excess CAE.

### **Voting on the Qualifying Modification**

Solicitation packages containing, among other things, copies of the Solicitation Statement and a ballot, were being sent, beginning August 9, 2018, to Holders as of July 31, 2018 (the "Voting Record Date") or to nominee holders for beneficial Holders. The Information Agent for the Solicitation will provide nominee Holders with sufficient copies of the solicitation package to distribute to their beneficial owners. Holders should monitor their receipt of the solicitation package, and upon receipt of the solicitation package, carefully review the Solicitation Statement and ballot. **The deadline for delivering votes on the Qualifying Modification is September 12, 2018, at 5:00 p.m., New York City time (the "Voting Deadline").** Ballots (including master ballots submitted on behalf of beneficial owners) must be actually received by the Calculation Agent before the Voting Deadline. Eligible Voters should be aware that the deadlines set by any custodian, intermediary or clearing system may be earlier than the Voting Deadline.

**WHETHER YOU RETURN A BALLOT IN THE SOLICITATION OR NOT WILL NOT AFFECT YOUR RECOVERY UNDER THE QUALIFYING MODIFICATION.**

### **Commencement of Title VI Proceeding**

On August 10, 2018, GDB commenced a proceeding under Title VI of PROMESA (the "Title VI Proceeding") in the U.S. District Court by filing an application for approval of the Qualifying Modification pursuant to PROMESA section 601(m)(1)(D). The Title VI Proceeding is Case No. 3:18-cv-01561-LTS. On the same day, GDB also filed a motion (the "Procedures Motion") for approval of procedures and a schedule in connection with the U.S. District Court's consideration of the Qualifying Modification.

At the request of AAFAF and GDB, the U.S. District Court entered an order on August 10, 2018, setting August 20, 2018 at 5:00 p.m. (prevailing Eastern Time) as the deadline for parties to give notice of their intention to object (a "Notice of Intention to Object") to approval of the Qualifying Modification and August 30, 2018 at 5:00 p.m. (prevailing Eastern Time) as the deadline for filing objections to any putative objector's standing to be heard on the issue of the approval of the Qualifying Modification. Only those parties that timely file a Notice of Intention to Object shall be permitted to file a preliminary or supplemental objection to the Qualifying Modification. AAFAF and GDB have requested that the U.S. District Court approve a preliminary objection deadline of September 14, 2018 and a supplemental objection deadline (only for objections arising as a result of facts learned through discovery) of October 17, 2018. The Trustee will disseminate a further notice once the deadline(s) for objecting to the Qualifying Modification have been definitively established by court order.

AAFAF and GDB have proposed that the Procedures Motion (together with any responses and replies thereto) be heard and considered by the U.S. District Court on September 7, 2018.

Court filings in the Title VI Proceeding are available free of charge at the website maintained by the Information Agent, Epiq Bankruptcy Solutions, LLC: <http://dm.epiq11.com/#/case/PR4/info>.

### **Direction to the Trustee**

The Indenture provides that the holders of a majority in principal amount of each series Notes currently outstanding have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all proceedings by the Trustee to be taken in connection with the enforcement of the Noteholders' or the Trustee's rights and remedies under the Indenture, provided such direction is in accordance with law and the provisions of the Indenture. The Noteholders' ability to direct the Trustee is further subject to the requirements of the Indenture (including, *inter alia*, Section 603 of the Indenture), which, among other things, state that the Trustee shall be under no obligation to institute any suit or to take any remedial action under the Indenture or any other documents relating to the Notes until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements and against all liability.

### **Trustee Reservation of Rights**

No delay or forbearance by the Trustee to exercise any right or remedy accruing upon the occurrence of a default, or otherwise under the terms of the Indenture or other documentation relating thereto or under applicable law, shall impair any such right or remedy or constitute a waiver thereof or acquiescence therein.

### **Website for Accessing Certain Publicly Available Information**

Certain publicly available information which may be of interest to Noteholders, as well as prior notices given to Noteholders by the Trustee, is available to Noteholders through a special link on the website of the Trustee's counsel. Noteholders wishing to access this information should go to the following web page:

<http://www.drinkerbiddle.com/capabilities/services/bondholders/government-development-bank>.

### **Retention of Counsel**

The Trustee has retained the law firm of Drinker Biddle & Reath LLP and specifically, Kristin Going of that firm, to represent it in connection with the subject matter of this notice and the Notes generally. Ms. Going's address is Drinker Biddle & Reath LLP, 1177 Avenue of the Americas, 41st Floor, New York, New York 10036-2714 and her telephone number is 212-248-3273.

### **Communications with Trustee**

The Trustee will continue to provide information concerning this matter to the holders as it becomes available. If you have any questions concerning this notice, inquiries may be directed to Jay Smith at Wilmington Trust, N.A. at (410) 545-2193 or [jhsmith@wilmingtontrust.com](mailto:jhsmith@wilmingtontrust.com), or to the Trustee's counsel: Kristin Going and Marita Erbeck at Drinker Biddle & Reath LLP at (212) 248-3273 (Going)/(973) 549-7076 (Erbeck) or [Kristin.Going@dbr.com](mailto:Kristin.Going@dbr.com)/[Marita.Erbeck@dbr.com](mailto:Marita.Erbeck@dbr.com). The Trustee may conclude, however, that a specific response to particular inquiries from individual holders is not consistent with equal and full dissemination of information to all holders. Holders should not rely upon the Trustee as their sole source of information. This notice is provided for informational purposes only. The Trustee gives no legal, financial or tax advice regarding the Notes or the matters described herein. Holders should consult their own professionals regarding the Notes and the events described above.

Wilmington Trust, N.A., as Successor  
Trustee

Dated: August 14, 2018

\* The Trustee makes no representation as to the accuracy of the CUSIP number provided and used herein.



## **Appendix A**

### **CUSIP Numbers**

745177CH6

745177CJ2

745177EN1

745177ET8

745177FB6

745177FC4

745177FD2

745177FE0

745177FF7

745177FH3

745177FK6

745177FQ3

745177FR1

745177FS9

745177EP6

745177EU5

745177EX9

745177FM2

745177FN0